

Rideegama Pradeshiya Sabha - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Rideegama Pradeshiya Sabha for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023, and statement of financial operations, cash flow statement for the year then ended and notes to the financial statements including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987 and the Provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Rideegama Pradeshiya Sabha as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices .

1.2. Basis for Qualified Opinion

I express qualified opinion in respect of financial statements based on the matters described in Paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha;
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The financial statements presented includes the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 .

1.6 Audit Observations on Preparation of Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation	Comments of the Secretary	Recommendation
(a) Although the Kappitigala Satipola building valued at Rs. 8,209,540 had been handed over to the Land Reforms Commission on 17 March 2023, that value had been not deducted from the building value.	Actions will be taken to make relevant corrections in the future.	It should be accurately accounted for.
(b) The concrete mix valued at Rs.395,000 had been accounted for under other stocks.	Actions will be taken to correct.	It should be accurately accounted for.
(c) The value of Rs.174,280 paid during the year under review for 09 projects which had been completed and paid had not been capitalized.	Actions will be taken to capitalize.	It should be accurately accounted for.
(d) The fuel deposit value of Rs.300,000 had been shown under investments in the statement of financial position.	-do-	It should be accurately accounted for.

1.6.2 Contingent Liabilities

Audit Observation	Comments of the Secretary	Recommendation
Although a sum of Rs. 158,680 has been paid in the year under review in relation to 06 cases which have not been completed by 31 December of the year under review there were no disclosures in the financial statements regarding existing litigation.	Actions will be taken to present in the financial statements a disclosure relating to existing litigation.	Disclosures should be made in financial statements.

1.6.3 Unreconciled Control Accounts

Audit Observation	Comments of the Secretary	Recommendation
There was a difference of Rs. 401,933 between the balances related to 02 account items totalling to Rs. 2,715,257 shown in the financial statements as at 31 December of the year under review and the balances shown in the schedules.	Actions will be taken to correct the schedules.	The balances shown in financial statements and balances in schedules should be equal.

1.6.4 Failure to Submit Information Required for Audit

Audit Observation	Comments of the Secretary	Recommendation
Due to lack of evidence related to Rs. 41,603,670 in 03 accounting items could not be satisfactorily verified vouched during the audit.	Actions will be taken to check and submit quickly.	Acceptable evidence should be submitted to confirm the balances.

1.7 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

The Instances of non-compliance with laws, rules, regulations and management decisions are as follows.

Reference to Laws, Rules, Regulations, Management Decisions etc.	Non-compliance	Comments of the Secretary	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		Actions will be taken to submit the running charts to audit.	
F.R. 1646	Daily running charts for each month along with the original copy of the monthly summary of the journeys of 12 vehicles had not been submitted to audit.	Agree with the observations.	Actions should be taken in terms of Financial Regulations.

(b) Public Administration Circulars

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| (i) | Paragraph 3.1 of Circular No. 30/2016 dated 29 December 2016 | Fuel tests of 07 vehicles belonging to the Sabha had not been done. | It will be promptly done. | Actions should be taken in terms of the Circular. |
| (ii) | Circular No. 01/2002 dated 23 February 2002 | Government Emblem with the name of Sabha will be printed on the vehicles owned by the Sabha. | It will be promptly done and submitted to audit. | Actions should be taken as per the relevant circular. |
| (c) | Section 02 and Section 20 of Circular No. 2019/02 dated 10 January 2019 of the North Western Local Government Commissioner | A sum of Rs.1,698,000 to be received from 05 shop owners had not been collected. | Actions will be taken promptly to recover the arrears. | Actions should be taken promptly to recover the arrears. |
| (d) | According to Section 06 (b) and (c) of the National Environment Act No. 47 of 1980 | The Sabha had not done the necessary activities to renew 151 Annual Environmental Protection Licenses to be renewed in the year 2023 and collect those fees. | The contractors who have not renewed their licenses have been notified to renew them. | Necessary actions should be taken in terms of the Guideline. |

2. Financial Review

2.1 Financial Results

As per the financial statements presented, recurrent expenditure exceeding the income of the Sabha for the year ended 31 December 2023 was Rs.14,011,179 and as against revenue that exceeded the recurrent expenditure of the preceding year was Rs. 21,460,953.

2.2 Revenue Administration

2.2.1 Estimated Revenues, Billed Revenues, Collected Revenues and Arrears of Revenues

As per the information presented by the Secretary , the details about the estimated revenue, billed revenue, collected revenue and arrears of revenue presented for the year under review and the previous year are as follows.

Source of Revenue	Year 2023				Year 2022			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total of Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and Taxes	5,562	3,549	3,430	2,761	4,753	4,910	5,304	3,170
Rents	6,070	5,619	5,521	1,184	6,415	5,427	5,624	918
License Fees	733	654	654	-	1,092	604	604	-
Other Income	32,000	32,000	34,304	38,696	20,500	20,500	17,930	21,200
Total	44,365	41,822	43,909	42,641	32,760	31,441	29,462	25,288

2.2.2 Performance of Revenue Collection

Audit Observation	Comments of the Secretary	Recommendation
(a) There was arrears of rates amounting to Rs 2,570,173 from 1,167 rates units located within the administrative area of the Sabha . Out of which, the balance exceeding 05 years was Rs.875,433 .	Property proscription programmes and mobile programmes are being carried out to recover the arrears in the year 2024 .	Actions should be taken to recover arrears of revenue.
(b) There was a balance of Rs.161,412 acre tax receivable for more than 05 years as at 31 December of the year under review.	A survey is currently being conducted to identify the land related to the outstanding balances and take action on it.	Actions should be taken to recover arrears of revenue.
(c) The arrears of rent receivable from 18 shops as at 31 December of the year under review was Rs 856,821 and the balance after 5 years was Rs.384,009.	Necessary further measures are being done.	Actions should be taken in terms of the Pradeshiya Sabha Act No. 15 of 1987 .
(d) The court fines and stamp duty receivable by 31 December 2023 from the Chief Secretary of the Provincial Council and other authorities were Rs. 1,303,670 and Rs.40,000,000 respectively.	Actions will be taken to receive the money quickly.	Actions should be taken to collect arrears and settle accounts accordingly.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
Forty seven building applications had been received during the year under review and of which 20 applications had been issued with a delay of one month to 01 year and 13 days.	Arrangements will be made by avoiding those short comings in the future.	Approval of building plans for rates areas should be done without delay.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Secretary	Recommendation
Twenty four shops owned by the Sabha had been maintained under the old assessment values without renewing the contracts as per the new assessment values of the Government Valuation Department.	The necessary arrangements are being made to enter into agreements as per the new assessed value.	Actions should be taken to recover the shop rents at the new assessment values and to enter into agreements with the shop owners accordingly.

3.3 Assets Management

Audit Observation	Comments of the Secretary	Recommendation
(a) Actions should be taken to transfer ownership of a cab and trailer to the Sabha.	Actions will be taken to transfer this vehicle through the special vehicle acquisition programme conduct by the Department of Local Government on 27 March 2024.	Actions should be taken to transfer the ownership to the Sabha.
(b) Actions had not been taken to take over and settle 05 lands that had been used by the Sabha.	Necessary arrangements are being made to take over.	Arrangements should be made to take actions in terms of Section 2.4.1 of the Deposition of State Lands Ordinance No. 8 of 1947,

3.4 Procurement Management

Audit Observation	Comments of the Secretary	Recommendation
There had been no specifications as per 5.6 of the Procurement Guidelines for 2 fingerprint machines purchased at a cost of Rs.214,700 and for 100 street lamps purchased at a cost of Rs.159,000 and a Technical Evaluation Committee had also not been appointed.	Actions will be taken to prepare relevant specifications for such future purchases.	Actions should be taken in accordance with the Procurement Guidelines.

3.5 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Secretary	Recommendation
(a) Although the Rideegama Bus Stand and Multi-Purpose Building, which were partially completed with the ground floor and two more floors, with funds of Rs 44,047,815 received from Puraneguma Project had been handed over in the year 2017, thus it was unable to utilize the partially completed bus stand and multi-purpose building, the expenditure of Rs.5,526,914 incurred had become a useless expenditure.	The costs incurred had become useless because it was unable to utilize due to inability to complete the construction of the project .	Actions should be taken to complete construction and generate income.
(b) Actions had not been taken to dispose of or repair the Sabha owned road rollers and Mitsubishi cabs.	It is informed that it has been sent for repairs and the road roller repairs are not ineffective.	Actions should be taken to dispose of the vehicles to be disposed of promptly and repair the vehicles and to put them into use.

4. Accountability and Good Governance

4.1 Internal Control

Audit Observation	Comments of the Secretary	Recommendation
Thus the number of audit queries issued during the year under review was only 01, an adequate internal audit had not been done and the Internal Audit Officer was also assigned the task of preparing forecast reports in addition to the audit duties.	Actions have been taken To conduct internal audit adequately.	Audit reports should be submitted conducting an internal audit covering all areas.